

Message Text

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SUBJ: BANK OF GREECE GOVERNOR ZOLOTAS SPEAKS ON INDUSTRIAL
INVESTMENT

REF A. ATHENS 9201; B. ATHENS 9740; C. ATHENS 8040; D. ATHENS 9121;
E. ATHENS 3463

SUMMARY AND COMMENT: BANK OF GREECE GOVERNOR ZOLOTAS,
SPEAKING TO THE FEDERATION OF GREEK INDUSTRIES DECEMBER
19 FOCUSED ON THE INDUSTRIAL DEVELOPMENT OF GREECE. HE
EMPHASIZED THE GOG'S DEDICATION TO PRIVATE ENTERPRISE,
AND CONFIRMED THE GOVERNMENT'S EAGERNESS TO SUPPORT INDUS-
TRIAL INVESTMENT, WHICH CONTINUES TO LAG. HE ENCOURAGED
GREEK BUSINESS TO COOPERATE WITH FOREIGN CAPITAL, WHICH
HE TERMED AN ESSENTIAL VEHICLE FOR TECHNOLOGICAL TRANSFER.
ZOLOTAS' STATEMENT FOLLOWS DEVELOPMENTS WHICH HAVE CAUSED
SOME CONCERN TO LOCAL ENTREPRENEURS; THE ANDREADIS AFFAIR
(REF B), THE CREATION OF A BANKING CONSORTIUM WHICH HAS BEEN
CRITICIZED BY SOME AS DETRIMENTAL TO PRIVATE INITIATIVE (REF C),
AND THE REVIEW OF FOREIGN AND LOCAL INVESTMENT CONTRACTS SIGNED
DURING THE JUNTA PERIOD (REF D), INDUSTRIAL INVESTMENT AND
DEVELOPMENT ARE THE KEYSTONE OF THE GOG'S PLAN TO RESTRUCTURE
THE ECONOMY, AND ZOLOTAS' SPEECH AIMED AT REASSURING THE
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BUSINESS COMMUNITY AND IMPROVING THE INVESTMENT CLIMATE.

END SUMMARY AND COMMENT.

1. BANK OF GREECE GOVERNOR ZOLOTAS SPEAKING TO THE FEDERATION OF GREEK INDUSTRIES ON DECEMBER 19 REVIEWED ECONOMIC DEVELOPMENT AND RELATED GOG POLICY AND PRIORITIES. HIGHLIGHTS FOLLOW.

2. ECONOMIC DEVELOPMENTS: WITH RESPECT TO THE GENERAL ECONOMIC SITUATION, ZOLOTAS REITERATED THE THEMES HE USED IN HIS NOVEMBER 19, MEETING WITH THE FOREIGN PRESS ASSOCIATION (SEE REF A), THE ECONOMY IS ONCE AGAIN MOVING FORWARD AT A MODERATE PACE, AND INFLATION, ALTHOUGH STILL A VEXING PROBLEM, IS UNDER CONTROL.

3. INDUSTRIAL SECTOR: HE ASCRIBED THE IMPROVEMENT IN INDUSTRIAL PRODUCTION (DURING THE FIRST NINE MONTHS OF 1975 THE INDUSTRIAL PRODUCTION INDEX INCREASED 10 PERCENT) ENTIRELY TO THE CONSUMER GOODS SECTOR. NEW INDUSTRIAL INVESTMENT IS LAGGING, WITH CAPITAL GOODS PRODUCTION AND IMPORTS AND DEMAND FOR LONG TERM FINANCING AT LOW LEVELS.

4. PRIVATE INITIATIVE: PROMPTED PERHAPS BY THE ANDREADIS AFFAIR (REF B) AND CRITICISM OF THE BANKING CONSORTIUM (REF C) ZOLOTAS EMPHASIZED THE NEED FOR PRIVATE INCENTIVE AND DISMISSED NOTIONS OF NATIONALIZATION AND SOCIALIZATION. THE CONSORTIUM, IN PARTICULAR, HE STATED, WOULD COMPLEMENT, NOT SUPPLANT, PRIVATE INITIATIVE. GREECE WILL ACT TO CONTROL MONOPOLISTIC AND OLIGOPOLISTIC PROFITS, AS DO OTHER CAPITALIST NATIONS.

5. FOREIGN CAPITAL: ZOLOTAS NOTED THAT FOREIGN INVESTMENT UNDER LAW 1687 REPRESENTED ONLY ABOUT 3 PERCENT OF TOTAL INVESTMENT IN FIXED ASSETS DURING 1954-73, BUT AMOUNTED TO 16 PERCENT IN THE INDUSTRIAL SECTOR. HE OBSERVED THAT SOME IRREGULARITIES HAD OCCURRED DURING THE JUNTA (A REFERENCE TO THE LAW 2687 CONTRACTS SIGNED DURING THE JUNTA WHICH HAVE BEEN OR ARE NOW BEING REVISED - SEE REF D), BUT STATED THAT FOREIGN CAPITAL IS AN IMPORTANT VEHICLE FOR THE TRANSFER OF TECHNOLOGICAL AND MANAGERIAL KNOW-HOW, WHICH ARE ESSENTIAL TO GREEK ECONOMIC DEVELOPMENT. ZOLOTAS EXHORTED

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LOCAL INDUSTRY TO COOPERATE IN MUTUALLY BENEFICIAL PROJECTS WITH FOREIGN CAPITAL, PREFERABLY WITH GREEK INTERESTS AS MAJORITY SHARE HOLDERS.

6. FUTURE ECONOMIC DEVELOPMENTS: GREECE'S FUTURE DEPENDS ON INDUSTRIALIZATION, BOTH FROM AN ECONOMIC AND SECURITY POINT OF VIEW. AREAS OF PARTICULAR IMPORTANCE ARE THE PROCESSING OF EXPORTABLE RAW MATERIALS AND GREATER VALUE

ADDED IN INDUSTRIAL PRODUCTION. EMPHASIS SHOULD BE
GIVEN TO COMPLEMENTARY INDUSTRIES AND ECONOMIES OF SCALE,
WITH A VIEW TOWARDS THE EC AND OTHER MARKETS, NOT JUST
DOMESTIC CONSUMPTION.
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